


Had Figures

Peoples⁺
1973
**ANNUAL
REPORT**

PEOPLES JEWELLERS LIMITED



Digitized by the Internet Archive
in 2023 with funding from
University of Alberta Library

https://archive.org/details/Peop0667_1973

PEOPLES JEWELLERS LIMITED

directors

BERTRAND GERSTEIN, chairman

IRVING R. GERSTEIN

MARVIN GERSTEIN, vice-chairman

SYDNEY M. HERMANT

ROBERT A. KINGSTON, Q.C.

officers

BERTRAND GERSTEIN
chairman of the board

MARVIN GERSTEIN
vice-chairman

IRVING R. GERSTEIN
president

JAMES A. HENRY
*vice-president & general manager,
Peoples Stores Division*

JAMES T. RODDY
vice-president, finance & treasurer

JEAN R. HALDE
*vice-president & general manager,
Guild Stores Division*

ALAN W. SOUTHARD
vice-president, corporate services

IRWIN KOFFMAN
secretary

head office

181 YONGE STREET, TORONTO, CANADA

transfer agent

CANADA PERMANENT TRUST COMPANY,
20 EGLINTON AVENUE WEST, TORONTO, CANADA

PEOPLES JEWELLERS LIMITED

ONE HUNDRED AND THIRTY-TWO STORES AS AT JANUARY 31, 1974

		<u>Peoples Stores</u>	<u>Guild Stores</u>	<u>Leased Departments</u>
BRITISH COLUMBIA	— KAMLOOPS	1		
	KELOWNA	1		
	NANAIMO	1		
	PRINCE GEORGE	1		
	VANCOUVER	7	2	
	VICTORIA	2		
ALBERTA	— CALGARY	3	3	
	EDMONTON	9	2	
	LETHBRIDGE	1		
	RED DEER	1		
SASKATCHEWAN	— MOOSE JAW	2		
	PRINCE ALBERT	1	1	
	REGINA	1	2	
	SASKATOON	3	1	
MANITOBA	— WINNIPEG	5		
ONTARIO	— BARRIE	1		
	BELLEVILLE	1		1
	BROCKVILLE	1		
	CHATHAM	1		
	HAMILTON	4	2	
	KINGSTON	2		
	LONDON	2	1	
	OTTAWA/HULL	4	1	
	PETERBOROUGH	1		1
	SARNIA	1		
	SAULT STE. MARIE	1	1	
	THUNDER BAY	3*		
	TORONTO	15	5	2
	WELLAND			1
	WINDSOR	5	1	
QUEBEC	— CHICOUTIMI	1		
	MONTREAL	12	1	
	QUEBEC CITY	1		
	SHERBROOKE	1	1	
NEW BRUNSWICK	— MONCTON	3		
NOVA SCOTIA	— HALIFAX	4		
TOTAL		<u>103</u>	<u>24</u>	<u>5</u>

* Operated under the name of Birk Stitt Jewellers

PEOPLES JEWELLERS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

The fiscal year ended January 31, 1974 was a year during which your Company experienced the largest physical growth in its history. We commenced the year with ninety-eight stores; we ended the year with one hundred and thirty-two stores, having opened thirty-six stores during the year and closed two. The Peoples Store Division opened twenty-seven stores and the Guild Store Division opened nine Mappin's stores — seven in Regional Shopping Centres in which Peoples are also located. This program of physical expansion is reflected in an increase of \$3,888,713 in fixed assets and by a decrease of \$1,351,983 in our working capital.

Despite this very substantial program of physical growth and despite the fact that all opening and pre-opening expenses are charged during the period in which they are incurred, the past year produced the greatest net income in the 54 year history of the Company.

Sales for the year were \$35,947,922 as compared with \$30,233,648 the previous year, an increase of 19%. Income before provision for income tax was \$5,021,423 as compared with \$4,182,323 the year previous, an increase of 20%. Net income was \$2,456,423 as compared with \$2,150,323, an increase of 14% due to the higher income tax rate.

By Supplementary Letters Patent dated May 9, 1973 the name of the Company was changed from Peoples Credit Jewellers Limited to Peoples Jewellers Limited, a name more in keeping with the modern image of the Company, and the authorized and issued Class A shares and Common shares of the Company were subdivided on a two-for-one basis. Effective May 15, 1973, quarterly dividends on the subdivided shares were increased from an annual rate of 15¢ a share to 20¢ a share.

As previously reported, the Company and the Toronto Dominion Bank each has a 50% interest in Torcred Developments Limited which will complete the erection of a new modern fifteen storey office building in Regina, Saskatchewan this Fall. The ground floor will provide for the Main Branch Office of the Toronto Dominion Bank in Saskatchewan, and a magnificent store for MacKenzie Jewellers.

During the year the Company was greatly saddened by the untimely passing of the President of Mappin's Limited, Mr. David Levine. Mr. Levine joined the Company in Montreal and subsequently became manager of our Peoples store in Montreal. In 1964 following our acquisition of Mappin's Limited, he was appointed manager of the newly acquired Mappin's Stores, and subsequently elected President. His boundless energy and enthusiasm as well as his warmth and personal friendship will be greatly missed by all those both in Peoples and Mappin's with whom he came in contact over the years.

The growth and expansion of the Company during the current year will equal if not exceed that of the past. Furthermore, eight of the Guild stores will be opened in centres in which Peoples are also located, an indication of the acceptance by shopping centre developers of both divisions of the Company.

Since my last report, the Board of Directors appointed two new Vice-Presidents, Mr. Jean R. Halde, Vice-President and General Manager, Guild Stores Division and Mr. Alan W. Southard, Vice-President, Corporate Services.

I ended my report to the Shareholders last year on a note of confidence. At this point of time I can again report that our experience in the first months of our current fiscal year with respect to both sales and earnings is such as to make us confident that the current year will again show a substantial increase in net income.

Respectfully submitted on behalf of the Board.

BERTRAND GERSTEIN,
Chairman of the Board.

Toronto, April 3, 1974.

PEOPLES JEWEL

(Incorporated under the laws of the State of New York)

and Subsidiary

CONSOLIDATED BALANCE SHEET

with comparative figures for 1973

ASSETS		1974	1973
CURRENT ASSETS			
Cash		\$ 70,592	\$ 89,940
Accounts receivable (note 2)		6,996,311	7,132,457
Merchandise, valued at cost or market, whichever is the lower		13,421,559	9,365,373
Prepaid expenses		51,431	79,343
TOTAL CURRENT ASSETS		20,539,893	16,667,113
LOANS FOR EMPLOYEE SHARE PURCHASES (note 4)		245,564	347,905
INVESTMENT IN TORCRED DEVELOPMENTS LIMITED (note 5)		300,000	300,000
FIXED ASSETS			
Buildings		3,557,971	3,364,929
Furniture and fixtures		7,432,239	5,135,000
Automobiles		87,465	86,026
TOTAL — at cost		11,077,675	8,585,955
LESS: Accumulated depreciation		5,280,451	4,730,821
		5,797,224	3,855,134
Land, at cost		1,614,032	1,614,032
Leasehold improvements, at cost less amortization		2,145,445	925,855
TOTAL FIXED ASSETS		9,556,701	6,395,021
On behalf of the Board			
Bertrand Gerstein, <i>Director</i>			
Marvin Gerstein, <i>Director</i>			
		<u>\$30,642,158</u>	<u>\$23,710,039</u>

(the accompanying notes are an integral part of these financial statements)

ERS LIMITED

(In Canadian Dollars)

Companies

AS AT JANUARY 31, 1974

res for 1973

LIABILITIES

	1974	1973
CURRENT LIABILITIES		
Bank indebtedness (note 2)	\$ 7,203,481	\$ 2,441,707
Accounts payable	1,746,084	1,614,959
Income and other taxes payable	947,164	653,339
Dividends payable	150,185	112,146
Instalments on long-term debt due within one year	252,000	252,000
TOTAL CURRENT LIABILITIES	10,298,914	5,074,151
DEFERRED INCOME TAXES	390,000	225,000
LONG-TERM DEBT (note 3)	1,919,387	2,170,929

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4)			
AUTHORIZED:	SHARES		
6% cumulative redeemable preferred shares, each of \$100 par value	3,481		
Class A non-voting, participating shares without nominal or par value	4,000,000		
Common shares without nominal or par value	2,000,000		
ISSUED:			
6% preferred shares (1973 — 4,324)	3,481	348,100	432,400
Class A shares	2,108,100	1,739,681	1,697,288
Common shares	895,600	84,233	84,233
		2,172,014	2,213,921
RETAINED EARNINGS		15,861,843	14,026,038
TOTAL SHAREHOLDERS' EQUITY		18,033,857	16,239,959
		\$30,642,158	\$23,710,039

egral part of these statements)

PEOPLES JEWELLERS LIMITED
and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED JANUARY 31, 1974

with comparative figures for 1973

	1974	1973
Sales (note 1)	\$35,947,922	\$30,233,648
<i>Deduct:</i>		
Cost of merchandise sold and all other expenses except those listed below	29,657,577	25,265,645
Depreciation and amortization	727,033	488,311
Interest on long-term debt	146,415	162,245
Interest on bank indebtedness	395,474	135,124
	<u>30,926,499</u>	<u>26,051,325</u>
INCOME before provision for income taxes	5,021,423	4,182,323
Provision for income taxes	2,565,000	2,032,000
NET INCOME for the year	<u>\$ 2,456,423</u>	<u>\$ 2,150,323</u>
Earnings per Class A and Common share (note 4)	<u>\$.81</u>	<u>\$.71</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED JANUARY 31, 1974

with comparative figures for 1973

	1974	1973
RETAINED EARNINGS — beginning of year	\$14,026,038	\$12,349,937
<i>Add:</i>		
Net income for the year	2,456,423	2,150,323
	<u>16,482,461</u>	<u>14,500,260</u>
<i>Deduct:</i>		
Dividends — preferred shares	20,760	26,128
— class A shares	420,738	313,754
— common shares	179,120	134,340
	<u>620,618</u>	<u>474,222</u>
RETAINED EARNINGS — end of year	<u>\$15,861,843</u>	<u>\$14,026,038</u>

(the accompanying notes are an integral part of these statements)

PEOPLES JEWELLERS LIMITED

and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED JANUARY 31, 1974

with comparative figures for 1973

	1974	1973
Funds were provided from:		
Operations:		
Net income for the year	\$ 2,456,423	\$ 2,150,323
Add: Expenses which do not require an outlay of funds:		
Depreciation and amortization	727,033	488,311
Deferred income taxes	165,000	50,000
	3,348,456	2,688,634
Issue of Class A shares under option	42,393	29,625
Payments on loans for employee share purchases	102,341	694,623
TOTAL FUNDS PROVIDED	3,493,190	3,412,882
Funds were applied to:		
Dividends	620,618	474,222
Purchase of fixed assets (net)	3,888,713	1,315,819
Reduction of long-term debt	251,542	252,024
Redemption of preferred shares	84,300	279,300
TOTAL FUNDS APPLIED	4,845,173	2,321,365
Increase (decrease) in working capital	(1,351,983)	1,091,517
Working capital — beginning of year	11,592,962	10,501,445
Working capital — end of year	<u>\$10,240,979</u>	<u>\$11,592,962</u>

(the accompanying notes are an integral part of these statements)

AUDITORS' REPORT

To the Shareholders
Peoples Jewellers Limited

We have examined the consolidated balance sheet of Peoples Jewellers Limited and its subsidiary companies as at January 31, 1974, and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated statements present fairly the financial position of the companies as at January 31, 1974, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 15, 1974

Clarkson, Gordon & Co.
Chartered Accountants

PEOPLES JEWELLERS LIMITED

and Subsidiary Companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 1974

1. CONSOLIDATION

The accompanying consolidated statements include the accounts of all subsidiaries. Sales for the year ended January 31, 1973 have been recast to exclude sales from Optical shops which are now operated on a franchise basis.

2. ACCOUNTS RECEIVABLE

Accounts receivable have been pledged as security for bank indebtedness and are shown net of the following:

	1974	1973
Allowance for doubtful accounts	\$ 394,000	\$ 426,000
Unearned service charges	\$ 378,000	\$ 374,000

3. LONG-TERM DEBT

	1974	1973
6½ % Debenture due June 30, 1981 repayable in annual instalments of \$245,000	\$1,985,000	\$2,230,000
7¼ % — 9¼ % Mortgages Payable due 1984 to 1986	186,387	192,929
	2,171,387	2,422,929
Less current instalments included in current liabilities	252,000	252,000
	<u>\$1,919,387</u>	<u>\$2,170,929</u>

Requirements for repayment of long-term debt in each of the next five years amount to approximately \$255,000.

The Debenture is collaterally secured by a fixed and floating charge on the Company's properties.

Under the agreement securing the Debenture, there are various restrictions affecting the payment of dividends. At the end of the year consolidated retained earnings, free of restrictions and available for payment of dividends, exceeded \$7,500,000 (1973 — \$5,700,000).

4. CAPITAL STOCK AND SHARE OPTIONS

Capital stock as presented in these financial statements and as reflected in the earnings per share calculations is shown after giving effect to the issue of supplementary letters patent dated May 9, 1973 changing the name of the Company from "Peoples Credit Jewellers Limited" to "Peoples Jewellers Limited", subdividing the authorized and issued Class A Shares and Common Shares on a two for one basis and decreasing the capital of the Company by cancelling certain Preferred Shares.

During the year, 843 Preferred Shares (1973 — 2,793) were purchased on the market for cancellation.

On July 9, 1971, July 25, 1972 and September 11, 1973, the Company granted options at \$3½, \$7½ and \$8 respectively, to certain officers (other than directors) and employees to purchase Class A Shares. The options are granted for six years and may be exercised as to 20% of the optioned shares, on a cumulative basis, in each of the years commencing one year after the date of granting the option. During the year, options for 12,860 Class A Shares (including 1,800 to officers) at \$3½ and for 280 Class A Shares at \$7½, were exercised.

As at January 31, 1974, options to purchase 63,260 Class A Shares at \$3½, 14,120 Class A Shares at \$7½ and 17,100 Class A Shares at \$8, were outstanding, of which, options for 12,600 Class A Shares at \$3½, 2,000 Class A Shares at \$7½ and 1,000 Class A Shares at \$8, were to officers.

The exercise of the outstanding options would not result in a material dilution of earnings per share.

The loans for employee share purchases arose in connection with the Executive Stock Purchase Plan (other than directors) and Select Employees Stock Acquisition Program of the Company. These amounts are non-interest bearing and are due in annual instalments to 1979.

5. INVESTMENT IN TORCRED DEVELOPMENTS LIMITED

Torcred Developments Limited, a 50%-owned joint venture with a Canadian Chartered Bank, is erecting a commercial office building in Regina for which financing has been arranged. The shares of Torcred are carried on an equity basis which equals the cost of the Company's investment to January 31, 1974. The Company is contingently liable for 50% of any additional financing that might be required to complete this project. At the present time, it does not appear that such financing will be necessary.

6. OTHER INFORMATION

Eight officers of the Company received \$415,000 remuneration as officers and five directors received \$7,000 remuneration as directors. Three directors, who are also officers, received no remuneration as directors.

7. COMMITMENTS

A number of the Company's store locations are held on leases entered into for periods from five to twenty years. Most of these leases are for minimum rentals and many contain percentage-of-sales clauses. The minimum annual rentals payable under all such leases currently in force totals \$1,592,000 and actual rentals in the year amounted to \$2,258,000.

AR13

PEOPLES⁺

INTERIM REPORT
for the half year ended
JULY 28, 1973

PEOPLES JEWELLERS LIMITED

PEOPLES JEWELLERS LIMITED

AND SUBSIDIARY COMPANIES

1973 Half Year Report

(Unaudited)

CONSOLIDATED STATEMENT OF INCOME

Sales	
<i>Deduct:</i>	
Cost of merchandise sold and all other expenses except as below	
Depreciation and amortization	
Interest on long-term debt	
Interest on bank indebtedness	
Income before provision for income taxes	
Provision for income taxes	
Net income for the period	
Earnings per Class A and Common share	

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Funds were provided from:	
Operations:	
Net income for the period	
Add: Expenses which do not require an outlay of funds:	
Depreciation and amortization	
Issue of Class A shares under option	
Payment on loans for employee share purchases	
TOTAL FUNDS PROVIDED	
Funds were applied to:	
Purchase of fixed assets (net)	
Reduction of long-term debt	
Dividends	
Redemption of preferred shares	
TOTAL FUNDS APPLIED	
Decrease in working capital	
Working capital — beginning of period	
Working capital — end of period	

<i>Twenty-six Weeks Ended</i>	<i>July 29, 1972</i>
<i>July 28, 1973</i>	
\$12,549,284	\$11,175,251

11,057,706	9,970,231
263,965	216,350
76,465	85,651
118,517	53,276
11,516,653	10,325,508
1,032,631	849,743
527,000	425,000
\$ 505,631	\$ 424,743
\$.165	\$.138

<i>Twenty-six Weeks Ended</i>	<i>July 29, 1972</i>
<i>July 28, 1973</i>	

\$ 505,631	\$ 424,743
263,965	216,350
769,596	641,093
26,763	22,625
88,311	239,603
884,670	903,321
1,757,744	335,753
248,204	247,950
310,449	237,637
62,600	250,300
2,378,997	1,071,640
1,494,327	168,319
11,592,962	10,501,445
\$10,098,635	\$10,333,126

PEOPLES JEWELLERS LIMITED

REPORT TO SHAREHOLDERS

The accompanying interim report for the six months ended July 28, 1973 indicates consolidated sales of \$12,549,284, an increase of 12.3% over the comparable period last year. (Sales for the first half of 1972 have been recast to exclude sales from Optical shops which are now operated on a franchise basis.) Net income for the period was \$505,631 an increase of 19%. Earnings per share were \$.165 compared with \$.138, an increase of 19.6%.

A comparison with the report to the shareholders for the first quarter when sales showed an increase for the period of 9.5% and net income an increase of 11.3%, indicates a greater increase in both sales and net income than in the previous period.

Our very vigorous expansion has continued since my last report with Peoples stores opened in Shopping Centres in Moncton, Ottawa, Chicoutimi, Montreal, Vancouver, Saskatoon and London, and Mappin's stores in Ottawa and London, bringing the total this year to fifteen Peoples Stores and five Mappin's, with a further thirteen Peoples and four Mappin's to be opened by the year-end. A Mackenzie store in Lethbridge was closed.

These results are most encouraging particularly when one realizes that all pre-opening and opening expenses of new stores are expensed in the month in which they were incurred — this in conjunction with the fact that the greater part of our earnings is produced in the last half of the year and more particularly in the last quarter leads us to have every confidence that our Company will again show a substantial increase in both consolidated sales and net income during the current fiscal year.

Respectfully submitted on behalf of the Board.

BERTRAND GERSTEIN,
Chairman of the Board

Toronto, Canada,
September 11, 1973.

Can corp
December 11, 1973

RELEASE

Peoples Jewellers Limited of Toronto reports sales for the ^{nine}~~six~~ months ended October 27th, 1973 of \$20,234,629 - an increase of 11.2% over the comparable period last year when sales were \$18,095,533. Earnings for the period were \$824,842 - an increase of 7.3%. Earnings per share for the period were \$.27 compared to \$.25. \$768,805

The Company has completed its vigorous expansion for the year with ³⁶~~27~~ new Peoples stores and 9 new Mappin's stores. It is anticipated that an equal number of stores will be opened in 1974.

Mr. Bertrand Gerstein, Chairman of the Board, indicates that since the final quarter accounts for such a large proportion of total earnings, Management has every confidence that the Company will again show a substantial increase in both sales and net income for the year as a whole.

366-2281

